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DEPARTMENT OF COMMERCE

International Trade Administration

C-570-015

53-Foot Domestic Dry Containers from the People's Republic of China: Initiation of Countervailing Duty Investigation

AGENCY: Enforcement and Compliance, International Trade Administration, Department of

Commerce

EFFECTIVE DATE: (Insert date of publication in the *Federal Register*)

FOR FURTHER INFORMATION CONTACT: Ilissa Kabak Shefferman at (202) 482-4684 or Angelica Mendoza at (202) 482-3019, AD/CVD Operations, Office VI, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230.

SUPPLEMENTARY INFORMATION

The Petition

On April 23, 2014, the Department of Commerce (the Department) received a countervailing duty (CVD) petition concerning imports of 53-foot domestic dry containers from the People's Republic of China (domestic dry containers from the PRC), filed in proper form, on behalf of Stoughton Trailers, LLC (Petitioner). The CVD Petition was accompanied by an antidumping duty (AD) petition with respect to the PRC. Petitioner is U.S. producer of 53-foot domestic dry containers. On April 25, 2014, the Department requested information and

¹ See Petition for the Imposition of Antidumping and Countervailing Duties: 53-Foot Domestic Dry Containers from the People's Republic of China, dated April 23, 2014 (CVD Petition or Petition).

² See Petition for the Imposition of Antidumping and Countervailing Duties: 53-Foot Domestic Dry Containers from the People's Republic of China, dated April 23, 2014 (AD Petition).

clarification for certain portions of the CVD Petition.³ On April 25, 2014, the Department requested information and clarification for certain general portions of the AD and CVD Petitions.⁴ Petitioner filed its response to these requests on April 30, 2014.⁵

In accordance with section 702(b)(1) of the Tariff Act of 1930, as amended (the Act), Petitioner alleges that the Government of the People's Republic of China (the GOC) is providing countervailable subsidies (within the meaning of sections 701 and 771(5) of the Act) with respect to imports of domestic dry containers, and that such imports are materially retarding the establishment of an industry in the United States, or that such an industry is materially injured or threatened with material injury by reason of such imports. The Department finds that Petitioner filed the Petition on behalf of the domestic industry because Petitioner is an interested party as defined in section 771(9)(C) of the Act, and that Petitioner demonstrated sufficient industry support with respect to the initiation of the investigation Petitioner is requesting.⁶

Period of Investigation

The period of investigation (POI) is January 1, 2013, through December 31, 2013.

Scope of Investigation

The products covered by this investigation are 53-foot domestic dry containers from the PRC. For a full description of the scope of this investigation, see "Scope of Investigation" at the Appendix of this notice.

Comments on Scope of Investigation

During our review of the Petition, the Department issued questions to, and received responses from, Petitioners pertaining to the proposed scope in order to ensure that the scope

³ See Letter to Petitioner from Angelica Mendoza, dated April 25, 2014 (CVD Supplemental Questions).

⁴ See Letter to Petitioner from Angelica Mendoza, dated April 25, 2014 (General Issues Supplemental Questions).

⁵ See Response to CVD Supplemental Questions, dated April 30, 2014 (CVD Supplemental Response) (See Supplement to Volumes I and II).

⁶ See "Determination of Industry Support for the Petition," below.

language in the Petition would be an accurate reflection of the products for which the domestic industry is seeking relief.⁷ As discussed in the Preamble to the regulations,⁸ we are setting aside a period for interested parties to raise issues regarding product coverage. The period of scope comments is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determinations. All comments must be filed by 5:00 P.M. Eastern Daylight Time (EDT) on June 2, 2014, which is 20 calendar days from the signature date of this notice. Any rebuttal comments must be filed by 5:00 P.M. EDT on June 9, 2014. All such comments must be filed on the records of the CVD investigation, as well as the concurrent AD investigation.

Filing Requirements

All submissions to the Department must be filed electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (IA ACCESS).⁹ An electronically filed document must be received successfully in its entirety by the time and date noted above. Documents excepted from the electronic submission requirements must be filed manually (*i.e.*, in paper form) with Enforcement and Compliance's APO/Dockets Unit, Room 1870, Department of Commerce, 14th Street and Constitution Avenue NW, Washington, DC 20230, and stamped with the date and time of receipt by the established deadline.¹⁰

https://iaaccess.trade.gov/help/Handbook%20on%20Electronic %20Filling%20Procedures.pdf.

⁷ See General Issues Supplemental Questions.

⁸ See Antidumping Duties; Countervailing Duties; Final Rule, 62 FR 27296, 27323 (May 19, 1997).

⁹ For general filing requirements, see 19 CFR 351.303.

¹⁰ See 19 CFR 351.303(b). For details regarding the Department's electronic filing requirements, see Antidumping and Countervailing Duty Proceedings: Electronic Filing Procedures; Administrative Protective Order Procedures, 76 FR 39263 (July 6, 2011). Information regarding IA ACCESS assistance can be found at https://iaaccess.trade.gov/help.aspx, and a handbook can be found at

Consultations

Pursuant to section 702(b)(4)(A)(ii) of the Act, the Department invited representatives of the GOC for consultations with respect to the Petition.¹¹ Consultations were held with the GOC on May 8, 2014.¹²

<u>Determination of Industry Support for the Petition</u>

Section 702(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 702(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 702(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A); or (ii) determine industry support using a statistically valid sampling method to poll the industry.

Section 771(4)(A) of the Act defines the "industry" as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (ITC), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a

¹¹ See Letter of Invitation Regarding Countervailing Duty Petition on 53-Foot Dry Domestic Containers from the People's Republic of China, dated April 24, 2014.

¹² See Consultations with the Government of the PRC Ex Parte Memorandum, dated May 12, 2014 (Consultations Memorandum).

domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (*see* section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information.

Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law.¹³

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation" (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the Petition).

With regard to the domestic like product, Petitioner does not offer a definition of the domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the record, we have determined that domestic dry containers constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product.¹⁴

In determining whether Petitioner has standing under section 702(c)(4)(A) of the Act, we considered the industry support data contained in the Petition with reference to the domestic like product as defined in the "Scope of the Investigation," in Appendix I of this notice. To establish

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¹³ See USEC, Inc. v. United States, 132 F. Supp. 2d 1, 8 (CIT 2001) (citing Algoma Steel Corp., Ltd. v. United States, 688 F. Supp. 639, 644 (CIT 1988), aff'd 865 F.2d 240 (Fed. Cir. 1989)).

¹⁴ For a discussion of the domestic like product analysis in this case, *see* Countervailing Duty Investigation Initiation Checklist: 53-Foot Domestic Dry Containers from the People's Republic of China (PRC CVD Initiation Checklist) at Attachment II, Analysis of Industry Support for the Petitions Covering 53-Foot Domestic Dry Containers from the People's Republic of China (Attachment II). This checklist is dated concurrently with this notice and on file electronically via IA ACCESS. Access to documents filed via IA ACCESS is also available in the Central Records Unit (CRU), Room 7046 of the main Department of Commerce building.

industry support, Petitioner provided its own production of the domestic like product in 2013.¹⁵

Petitioner states that there are no other known producers of domestic dry containers in the United States; therefore, the Petition is supported by 100 percent of the U.S. industry.¹⁶

Our review of the data provided in the Petition and other information readily available to the Department indicates that Petitioner has established industry support. First, the Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the Petition account for at least 25 percent of the total production of the domestic like product. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the Petition account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petition. Accordingly, the Department determines that the Petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act.

The Department finds that Petitioner filed the Petition on behalf of the domestic industry because it is an interested party as defined in section 771(9)(C) of the Act and it has

¹⁵ See Volume I of the Petition, at 3; see also General Issues Supplement, at 2.

¹⁶ See Volume I of the Petition, at 3.

¹⁷ See PRC CVD Checklist, at Attachment II.

¹⁸ See section 702(c)(4)(D) of the Act; see also PRC CVD Checklist, at Attachment II.

¹⁹ See PRC CVD Checklist, at Attachment II.

²⁰ *Id*.

demonstrated sufficient industry support with respect to the CVD investigation that it is requesting the Department initiate.²¹

Injury Test

Because the PRC is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of the subject merchandise from the PRC materially retard the establishment of a U.S. industry, or materially injure, or threaten material injury to, a U.S. industry.

Allegations and Evidence of Material Retardation, Material Injury and Causation

Section 703(a)(1)(B) of the Act states that the ITC "shall determine . . . whether there is a reasonable indication that the establishment of an industry in the United States is materially retarded by reason of imports of the subject merchandise." Petitioner alleges that imports of subject merchandise are benefitting from countervailable subsidies and that such imports are materially retarding the establishment of the U.S. industry producing domestic dry containers. Petitioner argues that despite its demonstrated substantial commitment to commence production, U.S. production has not stabilized, and, therefore, the U.S. industry producing domestic dry containers has not been established.²² To support its argument, Petitioner examines the five factors considered by the ITC to determine if an industry is established,²³ as set forth in the ITC's *AD/CVD Handbook*.²⁴ If the ITC determines that an industry is not established, it then considers whether the performance of the industry reflects normal start-up difficulties or whether the

²¹ *Id*

²² See Volume I of the Petition, at 37-38.

²³ *Id.*, at 18-20 and 37-38; *see also* General Issues Supplement, at 1 and Exhibit SG-1.

²⁴ See Antidumping and Countervailing Duty Handbook (13th Ed.), USITC Pub. 4056 (December 2008) (ITC AD/CVD Handbook), at II-31.

imports of the subject merchandise have materially retarded the establishment of the industry.²⁵ Petitioner contends that the domestic industry has performed substantially worse than what could reasonably be expected during normal start-up conditions, thereby demonstrating that the establishment of the domestic industry has been materially retarded by subject imports.²⁶ Petitioner also alleges that, in the alternative, the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the imports of the subject merchandise benefitting from countervailable subsidies. In addition, Petitioner alleges that subject imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.²⁷

Petitioner contends that the industry's materially retarded, or in the alternative, injured condition is illustrated by negligible market share; underselling and price depression or suppression; lost sales and revenues; adverse impact on production, capacity utilization, and shipments; decline in employment variables; and decline in financial performance.²⁸ We assessed the allegations and supporting evidence regarding material retardation, or in the alternative, material injury or threat of material injury, and causation, and we determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation.²⁹

Initiation of Countervailing Duty Investigation

Section 702(b)(1) of the Act requires the Department to initiate a CVD investigation whenever an interested party files a CVD petition on behalf of an industry that: (1) alleges the

²⁵ *Id.*, at II-31 and II-32.

²⁶ See Volume I of the Petition, at 38-39 and Exhibits I-10 and I-11.

²⁷ See General Issues Supplement, at 4-5 and Exhibit SG-3.

²⁸ See Volume I of the Petition, at 14-20, 25-40 and Exhibits I-10 through I-15; see also General Issues Supplement, at 2-5 and Exhibits SG-3 through SG-6.

²⁹ See CVD Initiation Checklist, at Attachment III, Analysis of Allegations and Evidence of Material Retardation, Material Injury and Causation for the Antidumping and Countervailing Duty Petitions Covering 53-Foot Domestic Dry Containers from the People's Republic of China.

elements necessary for an imposition of a duty under section 701(a) of the Act; and (2) is accompanied by information reasonably available to the petitioner supporting the allegations. In the Petition, Petitioner alleges that producers/exporters of domestic dry containers in the PRC benefited from countervailable subsidies bestowed by the government. The Department examined the Petition and finds that it complies with the requirements of section 702(b)(1) of the Act. Therefore, in accordance with section 702(b)(1) of the Act, we are initiating a CVD investigation to determine whether manufacturers, producers, or exporters of domestic dry containers from the PRC receive countervailable subsidies from the government.

Based on our review of the Petition, we find that there is sufficient information to initiate a CVD investigation on certain alleged programs. For a full discussion of the basis for our decision to initiate or not initiate on each program, see the CVD Initiation Checklist which accompanies this notice.

A public version of the initiation checklist is available on IA ACCESS.

Respondent Selection

If respondent selection is necessary in this investigation, we will provide interested parties with an opportunity to comment on any information used to select respondents prior to our selection. We will provide a schedule for comments, to the extent necessary, at a later date. We intend to make a decision regarding respondent selection within 20 days of publication of this notice.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act and 19 CFR 351.202(f), a copy of the public version of the Petitions has been provided to the GOC via IA ACCESS. As soon as

practicable, we will attempt to provide a copy of the public version of the Petition to each known exporter (as named in the Petition), as provided in 19 CFR 351.203(c)(2).

ITC Notification

We notified the ITC of our initiation, as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, within 45 days after the date on which the Petition was filed, whether there is a reasonable indication that imports of domestic dry containers from the PRC are materially retarding the establishment of a U.S. industry, or whether such an industry is materially injured or threatened with material injury by reason of such imports.³⁰ A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

Submission of Factual Information

On April 10, 2013, the Department published *Definition of Factual Information and Time Limits for Submission of Factual Information: Final Rule*, 78 FR 21246 (April 10, 2013), which modified two regulations related to AD and CVD proceedings: the definition of factual information (19 CFR 351.102(b)(21)), and the time limits for the submission of factual information (19 CFR 351.301). The final rule identifies five categories of factual information in 19 CFR 351.102(b)(21), which are summarized as follows: (i) evidence submitted in response to questionnaires; (ii) evidence submitted in support of allegations; (iii) publicly available information to value factors under 19 CFR 351.408(c) or to measure the adequacy of remuneration under 19 CFR 351.511(a)(2); (iv) evidence placed on the record by the Department; and (v) evidence other than factual information described in (i)–(iv). The final rule requires any party, when submitting factual information, to specify under which subsection of 19

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³⁰ See section 703(a) of the Act.

CFR 351.102(b)(21) the information is being submitted and, if the information is submitted to rebut, clarify, or correct factual information already on the record, to provide an explanation identifying the information already on the record that the factual information seeks to rebut, clarify, or correct. The final rule also modified 19 CFR 351.301 so that, rather than providing general time limits, there are specific time limits based on the type of factual information being submitted. These modifications are effective for all segments initiated on or after May 10, 2013, and thus are applicable to this investigation. Please review the final rule, available at http://enforcement.trade.gov/frn/2013/1304frn/2013-08227.txt, prior to submitting factual information in this investigation.

Revised Extension of Time Limits Regulation

On September 20, 2013, the Department modified its regulation concerning the extension of time limits for submissions in AD and CVD proceedings.³¹ The modification clarifies that parties may request an extension of time limits before a time limit established under Part 351 expires, or as otherwise specified by the Secretary. In general, an extension request will be considered untimely if it is filed after the time limit established under Part 351 expires. For submissions which are due from multiple parties simultaneously, an extension request will be considered untimely if it is filed after 10:00 a.m. on the due date. Examples include, but are not limited to: (1) case and rebuttal briefs, filed pursuant to 19 CFR 351.309; (2) factual information to value factors under section 19 CFR 351.408(c), or to measure the adequacy of remuneration under section 19 CFR 351.511(a)(2), filed pursuant to 19 CFR 351.301(c)(3) and rebuttal, clarification and correction filed pursuant to 19 CFR 351.301(c)(3)(iv); (3) comments concerning the selection of a surrogate country and surrogate values and rebuttal; (4) comments concerning U.S. Customs & Border Protection (CBP) data; and (5) quantity and value questionnaires. Under

³¹ See Extension of Time Limits, Final Rule, 78 FR 57790 (September 20, 2013).

certain circumstances, the Department may elect to specify a different time limit by which extension requests will be considered untimely for submissions which are due from multiple parties simultaneously. In such a case, the Department will inform parties in the letter or memorandum setting forth the deadline (including a specified time) by which extension requests must be filed to be considered timely. This modification also requires that an extension request must be made in a separate, stand-alone submission, and clarifies the circumstances under which the Department will grant untimely-filed requests for the extension of time limits. These modifications are effective for all segments initiated on or after October 21, 2013. Please review *Extension of Time Limits; Final Rule*, available at http://www.gpo.gov/fdsys/pkg/FR-2013-09-20/html/2013-22853.htm, prior to submitting factual information in this segment.

Certification Requirements

Any party submitting factual information in an AD or CVD proceeding must certify to the accuracy and completeness of that information.³² Parties are hereby reminded that the Department issued a final rule with respect to certification requirements, effective August 16, 2013. Parties are hereby reminded that revised certification requirements are in effect for company/government officials as well as their representatives. All segments of any AD or CVD proceedings initiated on or after August 16, 2013, including this investigation, should use the formats for the revised certifications provided at the end of the *Final Rule*.³³ The Department intends to reject factual submissions if the submitting party does not comply with the applicable revised certification requirements.

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³² See section 782(b) of the Act

³³ See Certification of Factual Information To Import Administration During Antidumping and Countervailing Duty Proceedings, 78 FR 42678 (July 17, 2013) (Final Rule); see also the frequently asked questions regarding the Final Rule, available at the following: http://enforcement.trade.gov/tlei/notices/factual_info_final_rule_FAQ_07172013.pdf.

Notification to Interested Parties

Interested parties must submit applications for disclosure under APO in accordance with

19 CFR 351.305. On January 22, 2008, the Department published Antidumping and

Countervailing Duty Proceedings: Documents Submission Procedures; APO Procedures, 73 FR

3634 (January 22, 2008). Parties wishing to participate in this investigation should ensure that

they meet the requirements of these procedures (e.g., the filing of letters of appearance as

discussed at 19 CFR 351.103(d)).

This notice is issued and published pursuant to section 777(i) of the Act.

Ronald K. Lorentzen

Acting Assistant Secretary

for Enforcement and Compliance

May 13, 2014

Date

Attachment I Scope of the Investigation

The merchandise subject to investigation is closed (*i.e.*, not open top) van containers exceeding 14.63 meters (48 feet) but generally measuring 16.154 meters (53 feet) in exterior length, which are designed for the intermodal transport³⁴ of goods other than bulk liquids within North America primarily by rail or by road vehicle, or by a combination of rail and road vehicle (domestic containers). The merchandise is known in the industry by varying terms including "53-foot containers," "53-foot dry containers," "53-foot domestic dry containers," "domestic dry containers" and "domestic containers." These terms all describe the same article with the same design and performance characteristics. Notwithstanding the particular terminology used to describe the merchandise, all merchandise that meets the definition set forth herein is included within the scope of this investigation.

Domestic containers generally meet the characteristic for closed van containers for domestic intermodal service as described in the American Association of Railroads (AAR) Manual of Standards and Recommended Practices Intermodal Equipment Manual Closed Van Containers for Domestic Intermodal Service Specification M 930 Adopted: 1972; Last Revised 2013 (AAR Specifications) for 53-foot and 53-foot high cube containers. The AAR Specifications generally define design, performance and testing requirements for closed van containers, but are not dispositive for purposes of defining subject merchandise within this scope definition. Containers which may not fall precisely within the AAR Specifications or any successor equivalent specifications are included within the scope definition of the subject merchandise if they have the exterior dimensions referenced below, are suitable for use in intermodal transportation, are capable of and suitable for double-stacking in intermodal transportation, and otherwise meet the scope definition for the subject merchandise.

Domestic containers have the following actual exterior dimensions: an exterior length exceeding 14.63 meters (48 feet) but not exceeding 16.154 meters (53 feet); an exterior width of between 2.438 meters and 2.60 meters (between 8 feet and 8 feet 6 3/8 inches); and an exterior height of between 2.438 meters and 2.908 meters (between 8 feet and 9 feet 6 ½ inches), all subject to tolerances as allowed by the AAR Specifications. In addition to two frames (one at either end of the container), the domestic containers within the scope definition have two stacking frames located equidistant from each end of the container, as required by the AAR Specifications. The stacking frames have four upper handling fittings and four bottom dual aperture handling fittings, placed at the respective corners of the stacking frames. Domestic containers also have two forward facing fittings at the front lower corners and two downward facing fittings at the rear lower corners of the container to facilitate chassis interface.

All domestic containers as described herein are included within this scope definition, regardless of whether the merchandise enters the United States in a final, assembled condition, or as an unassembled kit or substantially complete domestic container which requires additional manipulation or processing after entry into the United States to be made ready for use as a

³⁵ "Double-stacking" refers to two levels of intermodal containers on a rail car, one on top of the other.

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³⁴ "Intermodal transport" refers to a movement of freight using more than one mode of transportation, most commonly on a container chassis for on-the-road transportation and on a rail car for rail transportation.

domestic container.

The scope of this investigation excludes the following items: 1) refrigerated containers; 2) trailers, where the cargo box and rear wheeled chassis are of integrated construction, and the cargo box of the unit may not be separated from the chassis for further intermodal transport; 3) container chassis, whether or not imported with domestic containers, but the domestic containers remain subject merchandise, to the extent they meet the written description of the scope.

Imports of the subject merchandise are provided for under subheading 8609.00.0000 of the Harmonized Tariff Schedule of the United States (HTSUS). Imports of the subject merchandise which meet the definition of and requirements for "instruments of international traffic" pursuant to 19 U.S.C. §1322 and 19 C.F.R. §10.41a may be classified under subheading 9803.00.50, HTSUS. While HTSUS subheadings are provided for convenience and customs purposes, the written description of the subject merchandise as set forth herein is dispositive.

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